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C O N F I D E N T I A L RANGOON 001518

SIPDIS

STATE FOR EAP/BCLTV, EB
COLOMBO FOR ECON MANLOWE
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA
USPACOM FOR FPA

E.O. 12958: DECL: 11/29/2014

TAGS: [ECON](#) [PGOV](#) [BM](#)

SUBJECT: BURMA: KHIN NYUNT'S CRONIES FEELING THE SQUEEZE

REF: A. RANGOON 1503 AND PREVIOUS

[1](#)B. RANGOON 1470

[1](#)C. RANGOON 542 AND PREVIOUS

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

[1](#)1. (C) Summary: The purge of those close to ex-PM Khin Nyunt is spreading to economic cronies -- no matter their "worth" to the economy. This purge, combined with the ongoing crackdown on smuggling, will certainly cause some economic disruption. How much, and for exactly how long, remain unclear. However, by early 2005 all should be "back to normal" -- Burma style. End summary.

Internal Economic Destructionists Feel the Squeeze

[1](#)2. (C) According to reliable sources, top business cronies close to ousted Prime Minister General Khin Nyunt are starting to pay for having backed the wrong horse. Initial indications were that the regime would allow some top business cronies to survive intact if they were providing key economic services to the state. However, this may no longer be the case. Though the sources said that none of Khin Nyunt's closest non-family business associates has yet been arrested, the GOB has apparently seized some of the assets of at least two of the most prominent. These assets had been used as collateral for private bank loans that went unpaid after the private banking system collapsed in February 2003 (ref C). Despite defaults on the loans, these cronies had used their ties to Khin Nyunt to save their properties.

[1](#)3. (C) Meanwhile, the picture is growing clearer as to the fate of Khin Nyunt's eldest son, and prominent businessman, Dr. Ye Naing Win. According to business and ASEAN diplomatic sources, the son, until mid-October the managing director of Burma's major private IT firm Bagan Cybertech (ref B), is now incarcerated at an unknown location. Likewise, according to the new Singaporean ambassador, Dr. Ye Naing Win's wife, a Singaporean national, is in detention at her home and Singaporean diplomats have not been granted consular access. As reported previously (ref A), Bagan Cybertech was taken over by the Army's signal corps almost immediately after Khin Nyunt's downfall on October 19.

Comment: A Cleansing of Undesirables

[1](#)4. (C) The regime's desire to root out Khin Nyunt's broad and deep influence is spreading from the political-military (where dozens of top Military Intelligence officers have already been purged) to the economic sphere. Our sources speculated that the SPDC would financially ruin Khin Nyunt's top economic allies, and some lower-level ones as well. However, they did not see the campaign spreading to the economic arms of the ethnic cease-fire groups allied previously with Khin Nyunt -- though attacks on cronies are already collaterally damaging some of these groups' business interests, which could cause unexpected political consequences. This economic purge, along with the tougher line on illicit border trade (ref A), will cause some degree of chaos and economic slowdown for the immediate future (as during the months following implementation of new U.S. economic sanctions in July 2003). However, we still believe business will be "back to normal," though with new taskmasters, by early 2005. End comment.

MARTINEZ